

**Ameren Illinois Company's  
Response to ICC Staff Data Requests  
Docket No. 13-0192  
Proposed General Increase in Natural Gas Delivery Service Rates  
Supplemental Response Date: 4/17/2013**

MHE 6.09S

With respect to Ameren Exhibit 6.0, p. 14, lines 301-309, does this statement comprise the totality of the guidelines that AIC uses to consider a donation a “corporate sponsorship”? If the answer is no, please provide an explanation for and copies of the additional guidance regarding corporate sponsorships, if not already provided.

**RESPONSE**

**Prepared By: Thomas B. Kennedy, III  
Title: Director Communications and Public Relations  
Phone Number: (309) 677-5489**

No, additional guidelines have been developed and are used to ensure more consistent accounting in regards to all parts of a sponsorship: community outreach, contribution, advertisement, and tangible benefits to AIC (meals, tickets).

Please see MHE 6.09S Attach for the guidelines. These guidelines became effective April 2013.



## Accounting Guidelines for Advertising, Community Outreach, Contributions and Sponsorships

These guidelines set forth the processes used by Ameren Illinois Company(AIC) to account for costs for Advertising, Community Outreach, Contributions, and Sponsorships.

### 1. Definitions

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## 1. Definitions

- a. **Advertising** is defined in the Illinois Public Utilities Act, Section 9-225(1)(a), as "the commercial use, by an electric, gas, water or sewer utility, of any media, including newspapers, printed matter, radio, television, and internet in order to transmit a message to a substantial number of members of the public or to such utility's consumers." Part 295.20 of Title 83 of the Illinois Administrative Code further provides that "[i]n determining what constitutes a 'substantial number,' the Commission shall consider, among other things, the medium of communication used, the actual number of persons reached, and the size of the utility involved."
- b. **Community Outreach/Customer Assistance Expense** includes external activities and participation in events, which are designed for informational outreach to various AIC stakeholders. Organizations hosting such events often refer to the participating businesses as "sponsors"; however because the event is primarily designed for educational purposes, AIC views such involvement as Customer Assistance Expenses. Examples include senior fairs, health and safety fairs, conferences (i.e. LIHEAP Agencies, IASB, IML, IEMA, MEEA etc.) Expenses typically



incurred by the utility at Community Outreach activities and events include, but are not limited to, exhibitor fees, displays, videos and other associated costs used to attract audiences.

- c. A **Contribution** is defined in Illinois “a donation made by the utility for the public welfare or for charitable scientific, religious or educational purposes, provided that such donations are reasonable in amount. In determining the reasonableness of such donations, the Commission may not establish, by rule, a presumption that any particular portion of an otherwise reasonable amount may not be considered as an operating expense. The Commission shall be prohibited from disallowing by rule as an operating expense, any portion of a reasonable donation for public welfare or charitable purposes.” (Public Utilities Act, Section 9-227). AIC generally classifies Contributions as “Public Welfare” and/or “Charitable” Contribution by the nature of the recipient and the intended use. To qualify to receive a Contribution from AIC, the recipient must be a non-profit organization and must demonstrate that it intends to use the Contribution for a public welfare or charitable purpose. In addition, the recipient, project or program that receives the Contribution must be located within AIC’s service territory or provide a benefit to AIC customers. AIC will only make Charitable Contributions in accordance with the Ameren Charitable Contributions Policy.
- d. A **Sponsorship** is financial support paid to an organization which helps that organization achieve its goals or cause and in return the sponsor receives some sort of benefit. The (organization being sponsored may be for-profit or not-for-profit. The benefit to the sponsor may be in the form of name recognition, tickets, meals or good will. If substantial advertising is coupled with the sponsorship, Ameren Illinois requires the organization to separate the value of the advertising to properly account for advertising expenses. The organization should identify the purpose, tickets, meals or other benefits and the dollar value associated with those benefits in the request.

The use of promotional logos or slogans that are an established part of AIC’s identity is not, by itself, advertising. In addition, exhibits or displays of AIC to the public at a sponsored event, is considered community outreach rather than advertising.

- i. **Not-For-Profit Sponsorships:** When AIC is a sponsor for a not-for-profit organization AIC usually views such request to provide a contribution for some sort of public benefit. Types of requests for not-for-profit sponsorships often include fairs, festivals, concerts, theater performances, local amateur sporting events, parades, and community walks or runs. The motivation for AIC to be a sponsor for a not-for-profit activity is to support community efforts to increase the quality of life. Although there may be some form of recognition associated with sponsoring such events, it is usually minor such as name mentions, logo identification, listing or program booklet ad and as such, it is substantially inconsequential to the purpose of this type of sponsorship.
- ii. **For-Profit Sponsorships:** When sponsoring a for-profit organization, the sponsorship is usually coupled with extensive advertising that has a true market value for the ads that are placed. AIC views these types of sponsorships as another venue to reach specific audiences with targeted messaging. Examples



include radio and television outlets, U of I sports marketing and Peoria Chiefs sports marketing. Generally the messaging associated with such sponsorships is to promote energy efficiency, safety, career opportunities or customer service options.

## 2. Reporting Practices

### a. Advertising Cost Allocation

"Informational" Advertising should be classified in FERC Account 909 (18 CFR Part 201), Informational and instructional advertising expenses. FERC Account 909 must include the cost of labor, materials used and expenses incurred in activities which primarily convey information as to what the associate utility company urges or suggests customers should do in utilizing service to protect health and safety, to encourage environmental protection, to utilize their equipment safely and economically, or to conserve energy. That includes the costs of labor and materials for supervision of informational activities, preparing and printing informational materials, use of media and employing agencies, selecting media and conducting negotiations in connection with the placement and subject matter of information programs.

Section 9-225(3) of the Public Utilities Act and Part 295.30 of Title 83 Administrative Code identify a number of categories of Advertising that "shall be considered allowable operating expenses for [Illinois] gas, electric, water or sewer utilities." These "allowable operating expenses," when incurred by Ameren Illinois, should be considered Informational Advertising and should be classified to FERC Account 909:

- A. Informs consumers how they can conserve energy or reduce peak demand for electric or gas energy ("Energy Conservation or Reduction of Peak Demand");
- B. Is required by law or regulation ("Required by Law");
- C. Concerns service interruptions, safety measures or emergency conditions ("Service Interruptions and Safety");
- D. Concerns employment opportunities ("Career Opportunities");
- E. Promotes the use of energy efficient appliances, equipment or services ("Energy Efficiency")
- F. Explains existing or proposed rate schedules or notifications of hearings ("Rate Notices")
- G. Concerns customer service and the terms and conditions of service ("Customer Service and Terms of Service");
- H. Promotes the shifting of demand from peak to off-peak hours or which encourages the off-peak usage of the service ("Peak Usage"); and
- I. Other categories that are not political, promotional, institutional or goodwill advertisements ("Other").



AIC considers the categories outlined in the Public Utilities Act to be representative, and not exclusive, of the types of Advertising, the costs for which can be recovered in rates. AIC considers the overarching purpose of Section 9-225 is to allow utilities to recover the costs of Advertising that is primary designed with a purpose to inform and educate consumers about the available energy services, programs and benefits, including changes thereto.

Section 9-225 (2) of the Illinois Public Utilities Act states “In any general rate increase requested by any gas or electric utility company under the provisions of this Act, the Commission **shall not consider**, for the purpose of determining any rate, charge or classification of costs any direct or indirect expenditures for promotional, political, institutional or goodwill advertising unless the Commission finds the advertising to be in the best interest of the Consumer or authorized as provided pursuant to subsection 3 of this Section.” Additionally, Part 295.10 of Title 83 of the Illinois Administrative Code states that, “unless the Commission otherwise orders, no electric or gas utility shall include as an operating expense in the test year computation any direct or indirect expenditures for promotional, political, institutional or goodwill advertising.” Section 9-225(1) of the Illinois Public Utilities Act and Part 295.20 of Title 83 of the Illinois Administrative Code provide the following definitions for Promotional, Political and Goodwill or Institutional Advertising:

**Political Advertising** is any advertising for the purpose of influencing public opinion with respect to legislative, administrative or electoral matters, or with respect to any controversial issue of public importance.” Costs incurred on “Political Advertising” that is not in the best interest of AIC consumers or otherwise authorized for recovery should be classified in FERC Account 426.4 (18 CFR Part 201). “This account shall include expenditures for the purpose of influencing public opinion with respect to the election or appointment of public officials, referenda, legislation or ordinances (either with the respect to the possible adoption of new referenda, legislation or ordinances or repeal or modification ....for the purpose of influencing the decisions of public officials....”

**Promotional Advertising** is any advertising for the purpose of encouraging any person to select or use the service of additional service of a utility or the selection or installation of any appliance or equipment designed to use such utility’s service.” Costs incurred on “Promotional Advertising” that is not in the best interest of AIC consumers or otherwise authorized for recovery should be classified in FERC Account 913 (18 CFR Part 201). “This account must include the cost of labor, materials used and expenses incurred in advertising designed to promote or retain the use of services provided by the service company or the companies within the holding company system, except advertising the sale of merchandise.”

**Goodwill or Institutional Advertising** is “any advertising either on a local or national basis designed primarily to bring the utility’s name before the general public in such a way as to improve the image of the utility or to promote controversial issues for the utility or industry.” Such advertising that is not in



the best interest of AIC consumers or otherwise authorized for recovery should be classified in FERC Account 930.1 (18 CFR Part 201).

**b. Community Outreach – Cost Allocation**

AIC views the opportunity to be an exhibitor at events which are designed for informational and educational purposes as an opportunity to communicate to customers on topics such as safety, energy efficiency, careers, customer assistance and customer service. Community outreach expenses will be classified in account 908 (18 CFR Part 201) "This account shall include the cost of labor, materials used and expenses incurred in providing instructions or assistance to customers, the object of which is to promote safe, efficient and economical use of the utility's service." This account includes demonstrations, exhibits, lectures associated expenses designed educate consumers of energy.

If Informational Advertising is associated with the event and there is a defined cost for such advertising, that amount should be accounted to FERC Account 909.

If sponsorship opportunities are associated with the event, costs for the event should be allocated based on the not-for-profit or for profit status of the event as described below in the Sponsorship Cost Allocation section.

**c. Contributions Cost Allocation**

Contributions or donations should be charged to FERC Account 426.1 as categorized in the Code of Federal Regulations (CFR) Chapter 18 Part 201. Donations: "This account shall include all payments or donations for charitable, social or community welfare purposes." Generally, Contributions are given to non-profit organizations that are eligible for Section 501(c)(3) status under the Internal Revenue Code; however contributions may be made to non-profit organizations that do not have that specific federal tax designation, if such donation is for charitable or public welfare purposes, such as a contribution to a chamber of commerce to support a community fireworks display.

**d. Sponsorships Cost Allocation**

Expenses associated with Sponsorships should be charged to the appropriate FERC accounts based on the value attributed to those costs.

- Market Value of tickets, if any, associated with the sponsorship deduct 100% of the market value of the tickets and charge to 930.1 non-recoverable
- Market Value of meals, if any, associated with the sponsorship deduct 100% of the market value of the meals and charge to 930.1 non-recoverable
- Market Value of advertising, if any, associated with the sponsorship deduct 100% of the market value of advertising and charge to 909 if in categories A-I, otherwise allocate 426.4, 913 or 930.1 as appropriate





- Public Benefit Value associated with the sponsorship which will support the goals and objectives of not-for-profit organizations apply balance remaining to charitable contributions account 426.1 if the organization is tax-exempt
  - If the above categories do not properly fit with the intention of the sponsorship and the primary motive is goodwill intended to improve the image of AIC allocate to 930.1

**e. Case Example of Multiple Cost Allocation**

AIC is asked to be a “sponsor” at a senior fair for \$3000 by a local not-for-profit organization. The senior fair is designed to provide information on a wide range of topics to seniors that can improve their lives. As a “sponsor”, AIC will be allowed to have an exhibit and a full page ad (\$250 value) in the program book. AIC will also be listed as an exhibitor in promotional announcements made by the organization. AIC views this as an opportunity to provide information to seniors about energy efficiency and safety. AIC also recognizes that by supporting the efforts of the not-for-profit organization through additional sponsorship dollars above the normal exhibit fees (\$600.00) the organization is able to promote the event to increase attendance, provide for transportation for low income seniors, and other costs incurred by the not-for-profit to conduct the event.

The costs and accounting would include:

- The cost of the sponsorship less the normal exhibitor fee and less the identified value of the ad ( $\$3000 - 600 - 250 = \$2150$ ) should be accounted to FERC 426.1 as a contribution to the organization.
- The exhibitor fee of \$600.00 should be accounted to FERC Account 908 as a Customer Assistance Expense for community outreach and demonstrations.
- The \$250 stated value of the ad should be accounted to 909 provided the ad fits within the categories A-I outlined above.
- The logo and name mentions are inconsequential and not the primary motivation for supporting the event.
- No tickets are associated with this event, however if tickets are associated with a sponsorship, the fair market value of the tickets should be deducted from the sponsorship costs and allocated to FERC account 930.1.

**f. Allocation to Electric and Gas**

Advertising, sponsorships and contributions shall be charged to electric and gas at a 60% and 40% allocation respectively unless the advertising, sponsorship or contribution is specifically electric or gas or in a community that AIC only serves electric or gas in which case 100% of the cost shall be allocated to the appropriate electric or gas account.



**g. Documentation**

Part 295.40 of Title 83 of the Illinois Administrative Code requires a utility seeking a general increase in rates to provide “copies of all advertisements and scripts included in the test year operating expense, listing the production costs for each ad, the publication schedule and costs for each ad.” Ameren Illinois defines Production Costs and Publication Costs as follows:

**Production Costs** are considered the expenses the utility incurs to make or produce an advertisement or other informational materials such as brochures, booklets, bill inserts, web sites, and web videos that are used to transmit messages to consumers. These expenses include, but are not limited to, the costs to define the content of the message, develop scripts and/or visuals, design layouts, and create the informational materials or advertisements (audio, video or digital). These expenses also include the costs to employ outside agencies to develop and produce the external messages.

**Publication Costs** are the expenses the utility incurs to transmit the advertisement and informational materials and messages to consumers. These expenses include, but are not limited to, the costs to publish print advertisements or to air/broadcast a message on external media (i.e. radio, TV, internet or other communication channels). Publication costs include buying media air time and print advertising space and direct mail.